

# NOTICE OF PRIVACY PRACTICES

Effective April 14, 2003

This notice describes how medical information about you may be used and disclosed and how you can get access to this information. Please review it carefully. Please share this information with your covered adult dependents.

The South Carolina Budget and Control Board Employee Insurance Program (EIP) is committed to protecting the privacy of your health information. EIP receives a copy of your medical claims information and related health information in order to provide you with health insurance and to assist you in claims resolution. This notice explains how EIP may use and disclose your health information, EIP's obligations related to the use and disclosure of your health information and your rights regarding your health information. EIP is required by law, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), to make sure that health information that identifies you is kept private, to give you this notice of its privacy practices and to follow the terms of its current notice. This notice applies to all of the records of your individual health information maintained or created by EIP. All EIP employees will follow the practices described in this notice.

If you have any questions about this Notice of Privacy Practices, please contact:

Privacy Officer  
1201 Main Street, Suite 850  
Columbia, S.C. 29201  
Phone: 803-737-0559  
Fax: 803-737-1978  
E-mail: [privacyofficer@cio.sc.gov](mailto:privacyofficer@cio.sc.gov)

## HOW EIP MAY USE AND DISCLOSE HEALTH INFORMATION

The following describes different ways EIP may use and disclose your health information. For each category of use or disclosure, this notice will explain what EIP means and may present some examples. Not every use or disclosure in a category will be listed. However, all of the ways that EIP is permitted to use and disclose information will fall within one of the categories.

- **For Treatment.** EIP may use and disclose your health information to coordinate and manage your health-care-related services by one or more of your health care providers. For example, a representative of EIP, a case manager and your doctor may discuss the most beneficial treatment plan for you if you have a chronic condition such as diabetes.
- **For Payment.** EIP may use and disclose your health information to bill, collect payment and pay for your treatment/services from an insurance company or another third party; to obtain premiums; to determine or fulfill its responsibility for coverage or provision of benefits; or to provide reimbursement for health care. For example, EIP may need to give your health information to another insurance provider to facilitate the coordination of benefits or to your employer to facilitate the employer's payment of its portion of the premium.

- **For Health Care Operations.** EIP may use and disclose health information about you for other EIP operations. EIP may use health information in connection with conducting quality assessment and improvement activities; reviewing the competence or qualifications of health care professionals; evaluating practitioner, provider and health plan performance; underwriting, premium rating and other activities relating to health plan coverage; conducting or arranging for medical review, legal services, audit services and fraud-and abuse-detection programs; business planning and development, such as cost management; and business management and general administrative activities. For example, EIP may disclose your health information to an actuary to make decisions regarding premium rates, or it may share your personal health information with other business associates that, through written agreement, provide services to EIP. These business associates, such as consultants or third-party administrators, are required to protect the privacy of your personal health information.
- **For Purposes of Administering the Plan.** EIP may disclose your health information to its Plan sponsor, the South Carolina Budget and Control Board, for the purpose of administering the Plan. For example, EIP may disclose aggregate claims information to the Plan sponsor to set Plan terms.
- **Treatment Alternatives and Health-Related Benefits and Services.** EIP may use and disclose your health information to contact you about health-related benefits or services that may be of interest to you. For example, you may be contacted and offered enrollment in a program to assist you in handling a chronic disease such as disabling high blood pressure.
- **Individuals Involved in Your Care or Payment for Your Care.** EIP may, in certain circumstances, disclose health information about you to your representative such as a friend or family member who is involved in your health care or to your representative who helps pay for your care. EIP may disclose your health information to an agency assisting in disaster relief efforts so that your family can be notified about your condition, status and location.
- **Research.** EIP may use and disclose your de-identified health information for research purposes, or EIP may share health information for research approved by an institutional review board or privacy board after review of the research rules to ensure the privacy of your health information. For example, a research project may compare the health/recovery of patients who receive a medication with those who receive another medication for the same condition.
- **As Required By Law.** EIP will disclose health information about you when it is required to do so by federal or South Carolina law. For example, EIP will report any suspected insurance fraud as required by South Carolina law.
- **To Avert a Serious Threat to Health or Safety, or for Public Health Activities.** EIP may use and disclose health information about you, when necessary to prevent a serious threat to your health and safety or to the health and safety of the public or for public health activities.
- **Organ and Tissue Donation.** If you are an organ donor, EIP may disclose your health information to organizations that handle organ, eye or tissue procurement, transplantation or donation.
- **Coroners, Medical Examiners and Funeral Directors.** EIP may share your health information with a coroner/medical examiner or funeral director as needed to carry out their duties.
- **Military and Veterans.** If you are a member of the armed forces, EIP may disclose health information about you after the notice requirements are fulfilled by military command authorities.

- **Workers' Compensation.** EIP may disclose health information about you for workers' compensation or similar programs that provide benefits for work-related injuries or illness.
- **Health Oversight Activities.** EIP may disclose your health information to a health oversight agency for authorized activities such as audits and investigations.
- **Lawsuits and Disputes.** EIP may disclose your health information in response to a court or administrative order, a subpoena, discovery request, or other lawful process if EIP receives assurance from the party seeking the information that you have either been given notice of the request, or that the party seeking the information has tried to secure a qualified protective order regarding this information.
- **Law Enforcement.** EIP may disclose information to a law enforcement official in response to a court order, subpoena, warrant, summons, or similar process.
- **National Security, Intelligence Activities and Protective Services.** EIP may disclose your health information to authorized officials for intelligence, counterintelligence and other national security activities; to conduct special investigations; and to provide protection for the President, other authorized persons or foreign heads of state.
- **Inmates.** If you are an inmate of a correctional institution or are in the custody of a law enforcement official, EIP may disclose your health information if the disclosure is necessary to provide you with health care or to protect your health and safety or the health and safety of others.
- **EIP will not use or release your health information for purposes of fund-raising activities.**

## YOUR HEALTH INFORMATION RIGHTS

You have the following rights regarding the health information that EIP has about you:

- **Right to Inspect and Copy.** You have the right to request to see and receive a copy of your health information, or, if you agree to the preparation cost, EIP may provide you with a written summary. Some health information is exempt from disclosure. To see or obtain a copy of your health information, send a written request to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211. EIP may charge a fee for the costs associated with your request. In limited cases, EIP may deny your request. If your request is denied, you may request a review of the denial.
- **Right to Amend.** If you believe that your health information is incorrect or incomplete, you may ask EIP to amend the information by sending a written request to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211, stating the reason you believe your information should be amended. EIP may deny your request if you ask it to amend information that was not created by EIP, the information is not part of the health information kept by or for EIP, the information is not part of the information you would be permitted to inspect and copy or your health information is accurate and complete. You have the right to request an amendment for as long as EIP keeps the information.
- **Right to an Accounting of Disclosures.** You have the right to request a list of the disclosures of your health information EIP has made. This list will **NOT** include health information released to provide treatment to you, to obtain payment for services or for health care operations; releases for

national security purposes; releases to correctional institutions or law enforcement officials as required by law; releases authorized by you; releases of your health information to you; releases as part of a limited data set; releases to representatives involved in your health care; releases otherwise required by law or regulation and releases made prior to April 14, 2003. You must submit your request for an accounting of disclosures in writing to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211, indicating a time period that may not go back beyond six years and may not include dates before April 14, 2003. Your request should indicate the form in which you want the list (for example, by paper or electronically). The first list that you request within a 12-month period will be provided free of charge; however, EIP may charge you for the cost of providing additional lists within a 12-month period.

- **Right to Request Restrictions of Use and Disclosure and Right to Request Confidential Communications.** You have the right to request a restriction on the health information that EIP uses or discloses. You also have the right to request a limit on the health information that EIP discloses about you to someone who is involved in your care or the payment for your care. For example, you may ask that EIP not use or disclose information about an immunization or particular service that you received. EIP is not required to agree to your request(s). If EIP does agree, EIP will comply with your request(s) unless the information is needed to provide you with emergency treatment. In your request, you must specify what information you want to limit and to whom you want the limits to apply. For example, you may request that your claims information not be sent to your home address.

In addition, you have the right to request that EIP communicate with you by certain means or at a certain location. EIP will accommodate reasonable request(s). You must make these request(s), in writing, to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211.

- **Right to a Paper Copy of This Notice.** You have the right to request a paper copy of this notice at any time by contacting the South Carolina Budget and Control Board's Privacy Officer (see other side of this notice). **You may obtain a copy of this notice at EIP's Web site [www.eip.sc.gov](http://www.eip.sc.gov).**

## COMPLAINTS

If you believe that your health information rights, as stated in this notice, have been violated, you may file a complaint with the South Carolina Budget and Control Board's Privacy Officer and/or with the Secretary of the U.S. Department of Health and Human Services, 200 Independence Ave., S.W., Washington, D.C. 20201. (Phone number 877-696-6775.) To file a complaint with the South Carolina Budget and Control Board's Privacy Officer, contact the officer at the address listed on page 233.

EIP will not intimidate, threaten, coerce, discriminate against or take other retaliatory actions against any individual who files a complaint.

## **CHANGES TO THIS NOTICE**

EIP reserves the right to change this notice. EIP may make the changed notice effective for medical information it already has about you as well as for any information it may receive in the future. EIP will post a copy of the current notice on its Web site and in its office. EIP will mail you a copy of revisions to this policy at the address on file with EIP at the time of the mailing.

## **OTHER USES OF HEALTH INFORMATION**

This notice describes and gives some examples of the permitted ways your health information may be used or disclosed. EIP will ask for your written permission before it uses or discloses your health information for purposes not covered in this notice. If you provide EIP with written permission to use or disclose information, you can change your mind and revoke your permission at any time by notifying EIP in writing. If you revoke your permission, EIP will no longer use or disclose the information for that purpose. However, EIP will not be able to take back any disclosure that it made with your permission.





# HEALTH SAVINGS ACCOUNT CUSTODIAL AGREEMENT/DISCLOSURE STATEMENT

## HEALTH SAVINGS CUSTODIAL ACCOUNT

The depositor and the custodian make the following agreement:

Do Not File with  
Internal Revenue Service

☐ Amendment

**Article I.** Except in the case of a rollover contribution described in Internal Revenue Code (IRC) Section 223, the custodian will accept only cash contributions. The maximum annual contribution amount is generally the lesser of 100 percent of the annual deductible under the high deductible health plan or a specified amount (subject to cost-of-living adjustments). For 2004, the specified amount is \$2,600 for individual coverage and \$5,150 for family coverage. For eligible individuals who have attained age 55 by the end of their taxable year but have not attained age 65, the annual contribution limit is increased by \$500 for tax-year 2004. This amount will increase in \$100 increments annually, until it reaches \$1000 in tax-year 2009.

**Article II.** The depositor's interest in the balance in the custodial account is nonforfeitable.

### Article III.

1. No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund.

### Article IV.

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 223 and the regulations thereunder, the provisions of which are herein incorporated by reference.

2. If the depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

- (a) Upon the depositor's death, any balance remaining in his/her HSA becomes the property of the beneficiaries named in the HSA agreement. If the depositor's spouse is the beneficiary of his/her HSA, the HSA becomes the HSA of the surviving spouse. We may require such spouse to transfer the assets to an HSA of his/her own. The depositor's spouse is subject to income tax only to the extent distributions from the inherited HSA are not used for qualified medical expenses.
- (b) If, by reason of the depositor's death, the HSA passes to a person other than his/her spouse, the HSA ceases to be an HSA as of the date of the depositor's death. The beneficiary is required to include the fair market value of the HSA assets as of the date of the depositor's death in his/her gross income. For such a person (except the depositor's estate), this amount is reduced by any payments from the HSA made for the depositor's qualified medical expenses, if paid within one year after his/her death.

3. If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the depositor's account.

### Article V.

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 223.

2. The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

**Article VI.** Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with section 223 and the related regulations will be invalid.

**Article VII.** This Agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the Application that accompanies this Agreement.

### Article VIII.

**8.01 Your HSA Documents.** This Agreement for an HSA, and any amendments or additional provisions to such agreement, set forth the terms and conditions governing the depositor's HSA relationship with us. This Agreement will be accompanied by a disclosure statement, which sets forth various HSA rules in simpler language.

**8.02 Definitions.** This Agreement refers to you as the depositor, and us as the custodian. References to "you," "your," and "HSA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. Upon your death, your spouse beneficiary, if applicable, becomes "you" for purposes of this Agreement. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your HSA, such third party will be considered your agent and, therefore, "you" for purposes of this Agreement. Additionally, references to "HSA" will mean the custodial account.

**8.03 Additional Provisions.** Additional provisions may be attached to, and made a part of, this Agreement by either party. The provisions must be in writing, agreed to by us, and in a format acceptable to us.

**8.04 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your HSA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be deducted directly from your HSA assets, and/or billed separately to you. Fees billed separately to you and paid by you may be claimed on your federal income tax return as miscellaneous itemized deductions. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your HSA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**8.05 Amendments.** We may amend your HSA in any respect and at any time, including retroactively, to comply with applicable laws governing HSAs and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the HSA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the HSA. If you want to withhold your consent to an amendment, you must provide us with a written objection within 30 days of the receipt date of the amendment.

**8.06 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date. This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address. Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, change in personal information, or contributions mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.

**8.07 Applicable Laws.** This Agreement will be construed and interpreted in accordance with the laws of, and venue in, our state of domicile.

**8.08 Disqualifying Provisions.** Any provision of this Agreement that would disqualify the HSA will be disregarded to the extent necessary to maintain the account as an HSA.

**8.09 Interpretation.** If any question arises as to the meaning of any provision of this Agreement, then we shall be authorized to interpret any such provision, and our interpretation will be binding upon all parties.

**8.10 Representations and Indemnity.** You represent that any information you and/or your agents provide to us is accurate and complete, and that your actions comply with this Agreement and applicable laws governing HSAs. You understand that we will rely on the information provided by you, and that we have no duty to inquire about or investigate such information. We are not responsible for any losses or expenses that may result from your information, direction, or actions, including your failure to act. You agree to hold us harmless, to indemnify, and to defend us against any and all actions or claims arising from, and liabilities and losses incurred by reason of your information, direction, or actions. Additionally, you represent that it is your responsibility to seek the guidance of a tax or legal professional for your HSA issues.

We are not responsible for determining whether any contributions or distributions comply with this Agreement and/or the federal laws governing HSAs. We are not responsible for any taxes, judgments, penalties or expenses incurred in connection with your HSA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

**8.11 Investment of HSA Assets.**

(a) **Investment of Contributions.** We will invest HSA contributions and reinvest your HSA assets as directed by you based on our then-current investment policies and procedures. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of HSA income associated with your failure to provide appropriate investment direction.

(b) **Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any HSA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing HSAs. Your HSA investments will be registered in our name or our nominee's name for the benefit of your HSA. Specific investment information may be provided at the time of the investment.

Based on our policies, we may allow you to delegate the investment responsibility of your HSA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then-current policies and procedures.

(c) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your HSA, must be charged to your HSA and cannot be paid by you. We have the right to liquidate your HSA assets to pay fees and expenses, federal tax levies, or other assessments on your HSA. If you do not direct us on the liquidation, we will

liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

(d) **Deposit Investments.** The deposit investments provided by us may include savings, share, and/or money market accounts, and various certificates of deposit (CDs).

(e) **Non-Deposit Investments.** Non-deposit investments include investments in property, annuities, mutual funds, stocks, bonds, and government, municipal and U.S. Treasury securities, and other similar investments. Most, if not all, of the investments we offer are subject to investment risks, including possible loss of the principal amount invested. Specific investment disclosures may be provided to you.

**8.12 Distributions.** Withdrawal requests must be in a format acceptable to us, and/or on forms provided by us. We may require you, or your beneficiary after your death, to provide documentation and a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

**8.13 Transfer and Rollover Contributions.** We may accept transfers, rollovers, and other similar contributions in cash or in kind from other HSAs and from Archer Medical Savings Accounts (MSAs). Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

**8.14 Reports and Records.** We will maintain the records necessary for IRS reporting on this HSA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

**8.15 Termination.** You may terminate this Agreement without our consent by providing us with a written notice of termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.

**8.16 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this Agreement, we can terminate this Agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your HSA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining HSA fees or expenses. We reserve the right to retain HSA assets to pay any remaining fees or expenses. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

**8.17 Successor Organization.** If we merge with, purchase, or are acquired by, another organization, such organization, if qualified, may automatically become the successor custodian or trustee of your HSA.



## HEALTH SAVINGS ACCOUNT DISCLOSURE STATEMENT

**Right to Revoke Your HSA.** With rare exception, you have the right to revoke this Health Savings Account (HSA) within seven days after the date of establishment of this HSA. If you revoke your HSA, we will return your entire HSA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value.

You may revoke your HSA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your HSA, please call or write to us. Our telephone number, address, and contact name, to be used for communications, can be found on the Application that accompanies this Disclosure Statement and Health Savings Custodial Account agreement.

**This Disclosure Statement.** This Disclosure Statement provides you, or your beneficiaries after your death, with a summary of the rules and regulations governing this HSA.

**Definitions.** The Health Savings Custodial Account agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. It refers to you as the depositor, and us as the custodian. References to "you," "your," and "HSA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. Upon your death, your spouse beneficiary, if applicable, becomes "you" for purposes of this Disclosure Statement. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your HSA, such third party will be considered your agent and, therefore, "you" for purposes of this Disclosure Statement. Additionally, references to "HSA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any HSA establishment documents. Your first reference for questions concerning your HSA should be Internal Revenue Code (IRC) Section 223, Internal Revenue Service (IRS) Revenue Ruling 2004-38, Revenue Procedure 2004-22, Notices 2004-2, 23, and 25, any additional provisions or amendments to such documents, and this Disclosure Statement. For more information, you can also refer to the instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

### HSA Restrictions and Approval.

- 1. Health Savings Custodial Account Agreement.** This Disclosure Statement and the Health Savings Custodial Account agreement, amendments, and additional provisions, set forth the terms and conditions governing your HSA. Such documents are the "Agreement."
- 2. Individual/Family Benefit.** This HSA must be for the exclusive benefit of you and your family, and upon your death, your beneficiaries. The HSA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding Health Savings Account Application you may designate any person(s) as your beneficiary to receive your HSA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as your HSA custodian prescribes for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your HSA assets will be paid to your estate. Your HSA custodian may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have

no liability whatsoever to any person making a claim to the HSA assets under a subsequently filed designation or for any other reason.

- 4. Cash Contributions.** Regular or annual HSA contributions must be in cash, which may include a check, money order, or wire transfer. It is within our discretion to accept in-kind contributions for rollovers or transfers.
- 5. HSA Custodian.** An HSA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an HSA custodian.
- 6. Prohibition Against Life Insurance and Commingling.** None of your HSA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 7. Nonforfeitable.** The assets in your HSA are not forfeitable.
- 8. Tax-Free Rollovers.** You may be eligible to make a rollover contribution of your HSA or Archer Medical Savings Account (MSA) distribution, in cash or in kind, to an HSA. Rollovers to and from HSAs are described in greater detail elsewhere in this Disclosure Statement.
- 9. No Prohibited Transactions.** If you engage in a prohibited transaction, the HSA loses its tax exempt status as of the first day of the year. You must include the fair market value of your HSA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 10. No Pledging.** If you pledge all or a portion of your HSA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income, and may be subject to the additional 10 percent tax.
- 11. IRS Approval of Form.** As of this writing, the IRS has not yet released regulations, a model agreement, or an approved process for HSA agreements. This Agreement serves as an interim agreement until the IRS releases future guidance. Accordingly, this Agreement may require amendments to comply with future IRS guidelines.
- 12. State Laws.** State laws may affect your HSA in certain situations, including deductions, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

### HSA Eligibility.

- 1. Eligibility for an HSA.** You are an eligible individual and may make or receive an HSA regular contribution if, with respect to any month, you:
  - a. are covered under a high-deductible health plan (HDHP) on the first day of such month;
  - b. are not covered under another type of health plan that is not an HDHP (with certain exceptions for plans providing certain limited types of coverage);
  - c. are not entitled to benefits under Medicare (generally, have not attained age 65); and
  - d. may not be claimed as a dependent on another individual's tax return.According to Revenue Procedure 2004-22, for months before January 1, 2006, if you would otherwise be an eligible individual, but are covered by both an HDHP that does not provide benefits for prescription drugs and by a separate health plan or rider that provides prescription drug benefits before the minimum annual deductible of the HDHP is satisfied (i.e., the separate prescription drug plan is not an HDHP), you will continue to be an eligible individual and may make contributions to your HSA based on the annual deductible of the HDHP.

**2. High-Deductible Health Plan.** Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. For purposes of this HSA, a high-deductible health plan is a plan with an annual deductible of at least \$1,000 for individual coverage or \$2,000 for family coverage. These amounts are subject to cost-of-living adjustments (COLAs).

For HSA purposes, the high-deductible health plan must limit out-of-pocket expenses. For 2004, the maximum out-of-pocket expenses, which include money applied to your deductible and your coinsurance for covered charges, must be no more than \$5,000 for individual coverage or \$10,000 for family coverage. These amounts are subject to COLAs.

IRS Notice 2004-23 provides a safe harbor for the absence of a preventive care deductible. It states that a plan shall not fail to be treated as an HDHP by reason of failing to have a deductible for preventive care. An HDHP may therefore provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible.

**3. Permitted Insurance.** You are eligible for an HSA if you have coverage for any benefit provided by permitted insurance. See IRS Notice 2004-2 for further information.

In addition, you are eligible for an HSA if you have coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. If a plan that is intended to be an HDHP is one in which substantially all of the coverage of the plan is through permitted insurance or other coverage described in IRS Notice 2004-2, it is not an HDHP.

#### HSA Contributions.

**1. Who Can Make Regular or Annual Contributions.** If you meet the eligibility requirements for an HSA, you, your employer, and your family members may contribute to your HSA. This is true whether you are self-employed or unemployed.

**2. Regular or Annual Contributions.** The maximum annual contribution to an HSA is the sum of the limits determined separately for each month, based on status, eligibility, and health plan coverage as of the first day of the month. For calendar year 2004, the maximum monthly contribution for eligible individuals with individual coverage under an HDHP is 1/12 of the lesser of 100 percent of the annual deductible under the HDHP (minimum of \$1,000) but not more than \$2,600. For eligible individuals with family coverage under an HDHP, the maximum monthly contribution is 1/12 of the lesser of 100 percent of the annual deductible under the HDHP (minimum of \$2,000) but not more than \$5,150. These amounts are subject to COLAs.

If you have more than one HSA, the aggregate annual contributions to all the HSAs are subject to the contribution limit. This limit is decreased by the aggregate contributions to an Archer MSA. The same annual contribution limit applies whether the contributions are made by you, your employer, or your family members. Contributions may be made on your behalf even if you have no compensation or if the contributions exceed your compensation.

**3. Catch-up Contributions.** Catch-up contributions are HSA contributions made in addition to any regular HSA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and have attained age 55 by the end of your taxable year but have not attained age 65. As with the annual contribution limit, the catch-up contribution is computed on a monthly basis. Therefore, you are not eligible for a catch-up contribution for any month after attaining age 65. The chart that follows shows these additional amounts.

Tax Year	Catch-up Amount
2004	\$ 500.00
2005	\$ 600.00
2006	\$ 700.00
2007	\$ 800.00
2008	\$ 900.00
2009	\$ 1,000.00

**4. One or Both Spouses Have Family Coverage.** You and your spouse are treated as having family coverage if either of you has family coverage. If you and your spouse have family coverage under different HDHPs, then each of you is treated as covered under the HDHP with the lowest deductible. The contribution limit for each of you is the lowest deductible amount, divided equally between you and your spouse, unless each of you agree on a different division. The family coverage limit is reduced further by any contribution to an Archer MSA. However, each of you may make the catch-up contributions without exceeding the family coverage limit.

#### 5. Contribution Deductibility.

**a. Your Contributions.** Contributions made by you to an HSA, which do not exceed the maximum annual contribution amount, are deductible by you when determining your adjusted gross income. You are not required to itemize deductions in order to take this deduction. However, you cannot also deduct the contributions as medical expenses under section 213. Contributions by family members on your behalf are also deductible by you.

**b. Employer Contributions.** Employer contributions are treated as employer-provided coverage for medical expenses under an accident or health plan and are excludable from your gross income. The employer contributions are not subject to withholding from wages for income tax or subject to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), or the Railroad Retirement Tax Act. Contributions to your HSA through a cafeteria plan are treated as employer contributions. You cannot deduct employer contributions on your federal income tax return as HSA contributions or as medical expense deductions under section 213.

**6. Contribution Deadline.** You may make regular and catch-up HSA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15.

For calendar year 2004, an HSA established by you on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if that expense was incurred on or after the later of: (1) January 1, 2004, or (2) the first day of the month that you became eligible for an HSA.

**Moving Assets To and From HSAs.** There are a variety of transactions that allow you to move your HSA assets to and from other HSAs in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process movements of assets to and from HSAs. We or the other financial organization involved in the transaction may require documentation for such activities.

**1. HSA-to-HSA Transfers.** You may transfer all or a portion of your HSA assets from one HSA to another HSA. An HSA transfer means that the HSA assets move from one HSA to another HSA in a manner that prevents you from cashing or liquidating the HSA assets, or even depositing the assets anywhere except in the receiving HSA. You may be required to complete a transfer authorization form prior to transferring your HSA assets.

2. **Archer MSA-to-HSA Transfers.** A transfer of Archer MSA assets to an HSA is permitted. However, HSA assets cannot be transferred to an Archer MSA.
3. **HSA-to-HSA Rollovers.** An HSA rollover is another way to move assets tax-free between HSAs. You may roll over all or a portion of your HSA assets by taking a distribution from an HSA and recontributing it as a rollover contribution into the same or another HSA. Rollovers to HSAs are not allowed from traditional or Roth IRAs, health reimbursement arrangements (HRAs), health flexible spending arrangements (FSAs), and employer-sponsored retirement plans. You must report your HSA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the HSA distribution is deposited within 60 calendar days following the date you receive the distributed assets. You are limited to one rollover per HSA per 12 months. The distributing and receiving HSA, including the HSA assets rolled over, are subject to this 12-month rule. The 12-month period begins on the day after you receive a distribution that will be properly rolled over into an HSA.
4. **Archer MSA-to-HSA Rollovers.** Rollovers from an Archer MSA to an HSA are permitted. However, HSA assets cannot be rolled over to an Archer MSA. The distributing MSA and receiving HSA, including the MSA assets rolled over, are subject to the 12-month rule.

**HSA Distributions.** You or, after your death, your beneficiary may take an HSA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes. HSA custodians/trustees are not required to determine whether HSA distributions are used for qualified medical expenses.

1. **Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings before your federal income tax return due date, including extensions, for the taxable year for which the contribution was made. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which the distribution is received. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
2. **Qualified Medical Expenses.** Qualified medical expenses are expenses paid by you, your spouse, or your dependents for medical care as defined in section 213(d) (including nonprescription drugs as described in Revenue Ruling 2003-102, 2003-38 I.R.B. 559), but only to the extent the expenses are not covered by insurance or otherwise. The qualified medical expenses must be incurred only after the HSA has been established.

For calendar year 2004, an HSA established by you on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if that expense was incurred on or after the later of: (1) January 1, 2004, or (2) the first day of the month that you became eligible for an HSA.

3. **Death.** Upon your death, any balance remaining in your HSA becomes the property of the beneficiaries named in the HSA agreement.
  - a. **Spouse.** If your spouse is the beneficiary of your HSA, the HSA becomes his/her HSA. We may require your spouse to transfer the assets to an HSA of his/her own. Your spouse is subject to income tax only to the extent distributions from your HSA are not used for qualified medical expenses.

- b. **Nonspouse.** If your beneficiary is not your spouse, the HSA ceases to be an HSA as of the date of your death. Your beneficiary is required to include the fair market value of the HSA assets as of the date of your death in his/her gross income. For such a person (except your estate), this amount is reduced by any payments from the HSA made for your qualified medical expenses, if paid within one year after your death.

#### **Federal Income Tax Status of Distributions.**

1. **Taxation.** Distributions from your HSA used exclusively to pay for qualified medical expenses of you, your spouse, or your dependents are excludable from gross income. In general, amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if you are not currently eligible for contributions to the HSA. However, any amount of the distribution not used exclusively to pay for qualified medical expenses of you, your spouse, or your dependents is includable in your gross income and is subject to an additional 10 percent tax on the amount includable, except in the case of distributions made after your death, your disability, or your attainment of age 65. HSA distributions which are not rolled over will be taxed as income in the year distributed, unless they are used for qualified medical expenses. You may also be subject to state or local taxes and withholding on your HSA distributions.
2. **Earnings.** Earnings, including gains and losses, on your HSA will not be subject to federal income taxes until they are considered distributed.
3. **Ordinary Income Taxation.** Your taxable HSA distribution is usually included in gross income in the distribution year.

**Estate and Gift Tax.** The designation of a beneficiary to receive HSA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your HSA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an HSA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your HSA under IRC Section 2518.

**Federal Income Tax Withholding.** If federal withholding is appropriate and allowed, please request that the custodian withhold the appropriate amount.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your HSA.

**Federal Tax Penalties.** Several tax penalties may apply to your various HSA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS along with your federal income tax return. The penalties may include any of the following taxes:

1. **Additional 10 Percent Tax.** Any amount of a distribution not used exclusively to pay for qualified medical expenses of you, your spouse, or your dependents is subject to an additional 10 percent tax on the amount includable in your gross income, except in the case of distributions made after your death, your disability, or your attainment of age 65.
2. **Excess Contribution Penalty Tax.** If a contribution to your HSA exceeds the amount you are eligible for, you have an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your HSA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.

## FUNDS AVAILABILITY DISCLOSURE

This policy statement applies to all deposit accounts.

Our policy is to make funds from your deposit available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once they are available, you can withdraw the funds in cash and we will use the funds to pay checks that you have written.

Please remember that even after we have made funds available to you, and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before 2:00 P.M. on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after 2:00 P.M. or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

If we cash a check for you that is drawn on another bank, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it.

If we accept for deposit a check that is drawn on another bank, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited.

### LONGER DELAYS MAY APPLY

In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the fifth business day after the day of your deposit. However, the first \$100 of your deposit will be available on the first business day after we receive your deposit.

If we are not going to make all of the funds from your deposit available on the first business day after we receive your deposit, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice the day we receive your deposit.

If you will need the funds from a deposit right away, you should ask us when the funds will be available.

In addition, funds you deposit by check may be delayed for a longer period under the following circumstances:

- \* We believe a check you deposit will not be paid.
- \* You deposit checks totaling more than \$5,000 on any one day.
- \* You redeposit a check that has been returned unpaid.
- \* You have overdrawn your account repeatedly in the last six months.
- \* There is an emergency, such as failure of communications or compute equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the eleventh business day after the day of your deposit.

### SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open. Funds from electronic direct deposit into your account will be available on the day we receive the deposit.

Funds from deposits of cash, wire transfers, and the first \$5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over \$5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the eleventh business day after the day of your deposit.